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UNOPS BUDGET ESTIMATES FOR THE BIENNIUM 1998-1999

Revised budget estimates for the biennium 1996-1997
and budget estimates for the biennium 1998-1999

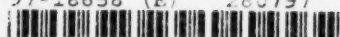
Report of the Executive Director

The revised budget estimates for the biennium 1996-1997 and budget estimates for the biennium 1998-1999 for the United Nations Office for Project Services (UNOPS) are contained in the present document. They have been reviewed and approved by the Management Coordination Committee and submitted to the Advisory Committee on Administrative and Budgetary Questions.

The revised budget for the biennium 1996-1997 proposes an increase from \$65.4 million to \$70.6 million.

The budget estimates for the biennium 1998-1999 are for \$84.7 million.

Both budget proposals are based on documented growth in the UNOPS project portfolio, and are expected to be fully funded through income derived from services provided by UNOPS, consistent with the self-financing principle according to which UNOPS operates.



I. INTRODUCTION

1. The present document contains the revised budget for the biennium 1996-1997 and the budget estimates for the biennium 1998-1999 for the United Nations Office for Project Services (UNOPS), submitted in accordance with Executive Board decision 94/32 calling for the presentation of biennial budget estimates separate from those of the United Nations Development Programme.

2. Pursuant to UNOPS Financial Regulations 6.3 and 6.4, the present budget estimates are being submitted through, and have been approved by, the Management Coordination Committee (MCC), and are at the same time being transmitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

3. The budget estimates are consistent with UNOPS Financial Regulation 6.2, calling for the budget to cover proposed expenditures and anticipated income related to the biennium, and are based on the application of the financial management model described in the previous biennial budget submission (DP/1995/60) and noted by the Executive Board in its decision 95/31 of 15 September 1995, and on the UNOPS business plan, which will be made available to the Executive Board at the current session.

4. The Executive Director is pleased to report that in 1996 UNOPS has again operated in accordance with the self-financing principle. The budget projections contained in the present document are based on the expectation that it will continue to do so through the present biennium and the 1998-1999 biennium.

II. REVISED ESTIMATED INCOME AND ADMINISTRATIVE EXPENDITURES FOR THE BIENNIUM 1996-1997

5. Previous estimates of income were based on the aggregate formula presented in documents DP/1995/60 and DP/1996/36. In estimates for the current biennium, UNOPS is now placing more emphasis on the detailed delivery and income performance and projections of operations divisions as put forward in the business planning process. As introduced in the revised budget estimates for the biennium 1996-1997 (DP/1996/36), all income projections are of gross income, with amounts paid to UNDP country offices to compensate for costs incurred on behalf of UNOPS being shown separately as administrative expenditures.

6. Funds committed by UNOPS clients for implementation of projects by UNOPS, referred to as the project portfolio, amounted to \$1.4 billion at the beginning of 1997. In addition, UNOPS is administering loans on behalf of the International Fund for Agricultural Development (IFAD) valued in excess of \$1.5 billion, bringing the overall value of the development funds for which UNOPS assumes responsibility to nearly \$3 billion.

A. Income

7. The total income to be earned in the biennium had been projected in document DP/1996/36 at \$67.2 million, on which basis the administrative budget was established. The revised income projections contained in the present document are based on the actual income achieved for 1996 and on income estimates developed during the 1997 business planning process. The revised projection of income for the 1996-1997 biennium amounts to \$77.4 million, or \$10.2 million more than originally projected. Table 1 provides an overview of the income performance and projections.

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1. Income from project implementation

8. In 1996, project delivery totaled \$430.8 million, which generated an income of \$31.6 million; in 1997, the business plan target for UNOPS project delivery is \$500 million - a 16 per cent increase - with an income projection of \$35.3 million. This target represents a very real challenge to UNOPS; however, new business acquisitions and project delivery through May 1997 indicate that the targets are attainable.

2. Income from "services only" activities

9. As noted in the annual report of the Executive Director (DP/1997/19), UNOPS is increasingly asked to provide services in support of project execution and contracting carried out by other parties, such as the loan administration services provided for nationally executed loans from IFAD.

10. In 1996, UNOPS earned \$3.3 million from services rendered to IFAD for loan administration and supervision of its projects. Income from this source is projected at \$4 million for 1997, based on continued growth of the IFAD portfolio.

3. Other income

11. UNOPS income also includes minor additional elements such as interest income and, during 1996, items such as the contribution from the Government of Denmark relating to the relocation of the Division for Procurement Projects to Copenhagen. This income is projected at \$1.3 million in 1997, \$1.0 million of which is interest income. Interest income is earned on the balance of operating and reserve funds invested by the UNDP Treasury on behalf of UNOPS.

B. Administrative expenditures

12. The approved administrative budget for the 1996-1997 biennium is \$65.4 million. Actual expenditure for 1996 totalled \$32.2 million. The projected administrative expenditure for 1997 is \$38.5 million. The revised budget proposal for the 1996-1997 biennium is therefore increased by \$5.2 million to \$70.6 million, the full amount of which will be met by UNOPS income. Details of the administrative budget are presented in table 2; significant differences from the approved budget and key items of expenditure are explained below.

1. Staffing resources

13. Salaries and common staff costs are typically the largest component of the administrative budget, and tend to parallel the volume of business. With the current growth in business volume and related need for delivery capacity, the number of personnel (comprised both of staff members against established posts and other persons employed for limited duration) is expected to increase through 1997 and then stabilize at the 1997 level through the 1998-1999 biennium. In all instances, vacancies are filled only when necessary and justified by demand and supported by projected income.

14. Thirty-seven new posts at the P-5 level or below (1 Professional, 36 General Service) have been established since 1 January 1996, bringing the total from 244 to 281. As of 31 May 1997, 247 persons were employed by UNOPS,

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of whom 221 are staff members in the 100/200/300 series. It may be recalled from document DP/1996/36 that the establishment and abolition of posts in UNOPS has an effect only on the types of contracts under which people can be recruited, and does not have direct financial implications as there is no assessed budget funding of the posts. UNOPS staffing is a mix of staff against established posts and other personnel recruited under contracts for activities of limited duration (ALD) or special service agreements (SSAs). The balance between these types of staff remains generally consistent, although changes are made as specific needs evolve. Table 3 provides details of UNOPS staffing arrangements.

15. UNOPS considers that the increased number of established posts and the balance of staff against posts, ALDs, and SSAs properly reflects its needs for 1997 and the forthcoming biennium. It may be noted that while the growth in number of posts is 15 per cent over the 1994-1995 biennium, service delivery is projected to increase by 21 per cent. The Executive Board is requested to approve the establishment of the additional 37 posts, of which 4 will be assigned to Abidjan.

2. Decentralized offices

16. In 1996, UNOPS established offices in Copenhagen and Geneva. In May 1997 the MCC endorsed a proposal for the establishment of an office at Abidjan, Ivory Coast. Based on a cost-benefit analysis, this office will initially manage a portfolio of IFAD projects but will also provide local support to operations in West Africa. The cost of establishing the Abidjan office is included in the overall administrative budget. The relocation of 1 post from headquarters to Abidjan is anticipated, for which approval of the Executive Board is requested.

3. Reimbursements to UNDP for services provided

17. UNOPS compensates UNDP country offices for additional costs they incur while providing services to projects implemented by UNOPS. Such compensation totalled \$1.8 million in 1996, and is projected at \$2.0 million for 1997 and for each year of the 1998-1999 biennium.

18. Payments to UNDP for central services provided by it (including by the Division for Audit and Management Review) and for the UNOPS share of United Nations central services totalled \$4.1 million in 1996, and are projected at \$4.2 million for 1997. These services and the costs associated with them have been studied by UNOPS and UNDP over recent months to obtain greater clarity and transparency. This study has not yet been concluded but its results will be incorporated in the next available budget submission.

19. Reimbursements to UNDP for the country office and central services provided by or through it amounted to approximately 18 per cent of the total 1996 administrative costs.

4. Information systems

20. In 1996, UNOPS implemented a major upgrade to its information systems hardware and software platform that had been deferred from previous years. Some of this upgrade will continue into 1997 with the objective of improving communications within New York and between New York and decentralized offices

and, wherever feasible, with project sites.

21. UNOPS has also initiated a study to provide a sound basis for deciding upon the UNOPS Information Systems strategy for the year 2000 and beyond, assessing in particular the potential implications and impact of the Integrated Management Information System (IMIS) project. This study will determine the precise nature and extent of the system development and replacement that will be necessary; it is certain, however, that major work will need to be undertaken and that this will have significant budgetary implications for the current and next bienniums. UNOPS considers that the budget established as a separate line on table 2 fairly reflects the known extent and timing of likely costs. In 1998-1999, the principle has been to apply all UNOPS surplus income to this long-term investment. Any reduction of cost will be immediately reflected in UNOPS financial reports: further investment that may be required will be treated as a shortfall of income and funded on a short-term basis from the operational reserve. This approach may need to be revisited next year as the project implications and costs become clearer.

III. PROJECTIONS OF INCOME AND ESTIMATED BUDGET EXPENDITURES FOR THE BIENNIUM 1998-1999

22. UNOPS anticipates that its portfolio, delivery and income levels in the 1998-1999 biennium will remain in the same order of magnitude as those now anticipated for 1997. This forecast is supported by the detailed business plan projections for 1997 and by experience to date in 1997, taking into consideration anticipated fluctuations in nature or mix of the project portfolio.

23. Table 1 presents an overview of the 1998-1999 biennium budget estimates, with administrative cost details summarized in table 2. Both income and administrative cost are projected at \$84.7 million for the biennium owing to the budgetary impact of the impending information system project and the funding principle proposed in paragraph 21. The project is expected to absorb all forecast surplus income for the biennium, and may have implications for reaching the reserve funding level proposed in document DP/1997/26 should it be approved by the Executive Board.

24. UNOPS resources will continue to be managed in a manner consistent with its self-financing status. The portfolio, budgets and expenditures, income, and administrative expenditures shall continue to be monitored and managed on a monthly basis so that timely action is taken to make the necessary adjustments.

25. A review of the variables of the UNOPS financial management model has already become a standing feature of the MCC meetings. Should the value of new project budgets accepted during 1998 and 1999 fall short of expectations, decisions will be made to cut costs, including staff costs, to levels compatible with the best income estimates. Such decisions shall be made in full consultation with the MCC and the Executive Board shall be informed as appropriate. The administrative cost is in any case expected to be fully funded by income derived from services provided by UNOPS, in accordance with the self-financing principle.

IV. EXECUTIVE BOARD ACTION

26. The Executive Board may wish to:

1. Take note of the report of the Executive Director on revised budget estimates for the biennium 1996-1997 and budget estimates for the biennium 1998-1999 (DP/1997/29);
2. Approve the revised budget estimates for the 1996-1997 biennium in the amount of \$70,579,000;
3. Approve the budget estimates for the 1998-1999 biennium in the amount of \$84,700,000;
4. Approve the establishment of 37 additional posts, and the relocation of 1 post from New York to the Abidjan office.

Table 1. Projections of project expenditures (UNOPS delivery) and UNOPS income for the bienniums 1996-1997 and 1998-1999, with comparative figures for the biennium ended 1994-1995

(In millions of US dollars)

	1994-1995 Actual	1996-1997 Approved/ estimates	1996 Actual	1997 Projected	1996-1997 Revised	1998 Projected	1999 Projected	1998-1999 Projected
Delivery	769.7	918.3	430.8	500.0	930.8	550.0	500.0	1 050.0
Income from implementation of projects entrusted to UNOPS	52.9	59.7	31.6	35.3	66.9	39.8	35.3	74.1
Income from "services only" (ITAD)	5.7	6.0	3.3	4.0	7.3	4.0	4.0	8.0
Other	0.7	1.5	1.9	1.3	3.2	4.3	1.3	2.6
Total income	59.3	67.2	36.8	40.6	77.4	44.1	40.6	84.7
Administrative expenditures	55.6	65.4	32.2	38.5	70.7	44.1	40.6	84.7
Net income	3.7	1.8	4.6	2.1	6.7	0.0	0.0	0.0

**Table 2. Revised budget estimates for the biennium 1996-1997 and
budget estimates for the biennium 1998-1999**

(In thousands of U.S. dollars)

Object of expenditure	Approved estimates 1996 - 1997	Actual expenditure 1996	Estimated expenditure 1997	Revised estimates for biennium 1996-1997	Estimates for biennium 1998 - 1999
010 SALARIES	22 400.0	9 486.0	11 907.0	21 393.0	27 716.0
100 COMMON STAFF COSTS	12 800.0	5 687.0	7 372.0	13 029.0	17 296.0
030 TEMPORARY ASSISTANCE	2 000.0	1 682.0	1 044.0	2 726.0	2 106.0
070 ACTIVITIES OF LIMITED DURATION (ALDs)	3 300.0	1 689.0	1 497.0	3 186.0	3 130.0
040 CONSULTANTS	1 300.0	893.0	900.0	1 783.0	2 000.0
080 OVERTIME	280.0	204.0	250.0	454.0	800.0
220 OTHER STAFF TRAVEL	1 250.0	574.0	750.0	1 324.0	1 900.0
310 CONTRACTUAL PRINTING	120.0	84.0	66.0	120.0	130.0
330 TRANSLATION	50.0	17.0	25.0	42.0	80.0
340 SYSTEM DEVELOPMENT CONTRACTS	1 000.0	434.0	278.0	709.0	600.0
350 SUBCONTRACTS	800.0	183.0	1 100.0	1 283.0	1 800.0
410 RENT AND MAINTENANCE	4 700.0	1 978.0	2 900.0	4 878.0	5 000.0
420 UTILITIES	200.0	91.0	100.0	191.0	280.0
430 RENT AND MAINTENANCE OF EQUIPMENT	200.0	71.0	75.0	146.0	180.0
440 COMMUNICATIONS	1 900.0	738.0	1 000.0	1 738.0	1 900.0
450 HOSPITALITY	10.0	9.0	30.0	39.0	60.0
490 MISCELLANEOUS SERVICES	450.0	187.0	180.0	307.0	300.0
510 OFFICE SUPPLIES	500.0	388.0	300.0	688.0	600.0
610 OFFICE FURNITURE AND EQUIPMENT	200.0	184.0	200.0	364.0	400.0
620 MICROCOMPUTERS HARDWARE/SOFTWARE	803.0	1 767.0	850.0	2 617.0	2 000.0
630 TRANSPORTATION EQUIPMENT	20.0	0.0	0.0	0.0	0.0
710 REIMBURSEMENT FOR MYCS/ICC	150.0	0.0	0.0	0.0	0.0
Subtotal	54 400.0	26 196.0	30 791.0	56 987.0	67 788.0
000 SYSTEMS IMPLEMENTATION	0.0	0.0	1 500.0	1 500.0	4 312.0
740 SERVICES PROVIDED BY UNDP COUNTRY OFFICES / OTHER UN AGENCY	3 800.0	1 842.0	2 000.0	3 842.0	4 000.0
750 REIMBURSEMENT TO UNDP SERVICES PROVIDED BY UNDP/DANG	1 600.0	900.0	800.0	1 600.0	1 600.0
UNDP CENTRAL SERVICES	5 044.0	2 945.0	2 900.0	5 845.0	6 000.0
UN CENTRAL SERVICES	900.0	400.0	500.0	900.0	1 000.0
Subtotal	11 044.0	5 987.0	7 700.0	13 687.0	16 912.0
GRAND TOTAL	65 444.0	32 183.0	38 491.0	70 674.0	84 700.0

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Table 3. UNOPS current staffing table

Category/ Post level	Established post	Posts reclassified	Additional posts	Revised staffing table	Filled by 100/200 series staff (A/D)	Filled by 300 series staff (A/D)	Under recruitment	Net vacant posts	Total
Professional									
ASG	1	0	0	1	1	0	0	0	1
D-2	1	0	0	1	1	0	0	0	1
D-1	9	2	0	11	11	0	0	0	11
P-5	31	0	0	31	25	2	2	2	31
P-4	29	0	0	29	15	6	6	2	29
P-3	17	(1)	0	16	11	5	0	0	16
P-2/1	3	5	1	9	6	2	0	1	9
Subtotal	91	6	1	98	70	15	8	5	98
General Service									
Principal level	50	(6)	12	56	51	0	3	2	56
Other level	103	0	24	127	85	0	34	8	127
Subtotal	153	(6)	36	193	136	0	37	10	183
Total	244	0	37	281	206	15	45	15	281